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SEPTEMBER 2022

GUIDE TO

WEALTH CREATION

Building a personal plan for financial freedom

1st Financial Foundations
11 Furzton Lake, Shirwell Crescent, Milton Keynes. MK4 1GA
Tel: 01908 523420 **Email:** info@1stff.co.uk

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WELCOME

Welcome to our *Guide to Wealth Creation*. There's no one-size-fits-all answer to the question of how to build a plan for financial freedom.

Achieving financial independence through wealth creation is a state to which many people aspire. Financial independence means different things to different people. But ultimately it's the ability to have enough income to live the lifestyle of your choice, without having to rely on others. Achieving financial independence is a goal set by many people and will vary from person to person.

Financial independence includes enjoying some of your hard-earned money today while designating a portion of your earnings for your future happiness, freedom and security. You cannot create wealth by just earning more money. You have to invest to create a parallel stream of income. This process of investing your money to grow your wealth by choosing investments that align with your financial goals is called wealth creation.

For sufficient wealth creation, apart from choosing the right investments, you also have to give your investments sufficient time to grow. You need to maximise the benefit of compounding by investing as early in life as possible. Early starters have the opportunity to stay invested longer, which makes it easier for them to reach various financial goals. ●

LOOKING FOR EXPERT ADVICE TO MANAGE ALL ASPECTS OF YOUR FINANCES AND INVESTMENTS?

We can help you manage all aspects of your finances and investments and ensure they are structured, to meet your wealth creation goals now and in later life. To find out more or to discuss your requirements – please contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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CONTENTS

02 WELCOME
Building a personal plan for financial freedom

04 FINANCIAL ROADMAP
Essential needs, lifestyle wants and legacy aspirations

06 GOALS-BASED INVESTING
Helping you to make wise financial decisions

07 TAKE CONTROL OF YOUR FINANCES
Choosing the right investments and making better decisions overall

09 WHAT DO YOU REALLY WANT FROM YOUR INVESTMENTS?
Identifying areas where you could be saving and investing more money

11 FUTURE GOALS
How long you have to pursue each objective

13 RISK TOLERANCE
An important part of the investment decision process

15 ASSET ALLOCATION
Minimise your risk and maximise your potential return

18 SIX PRINCIPLES OF INVESTING
Investing your money and avoiding costly mistakes

19 BEHAVIOURAL PATTERNS
Shaping the way we invest, for better or worse

20 PITFALLS OF MARKET TIMING
Don't become distracted by short-term volatility

21 POUND COST AVERAGING
Instilling a sense of investment discipline

22 INVESTMENT FUNDS
Influencing your investment choices

23 UNIT TRUSTS AND OPEN-ENDED INVESTMENT COMPANIES
Sharing many traits, but also having important differences

24 INVESTMENT TRUSTS
Seeking value everywhere

25 INDIVIDUAL SAVINGS ACCOUNTS
Minimising the amount of tax you pay on your investment returns

FINANCIAL ROADMAP

Essential needs, lifestyle wants and legacy aspirations

> **CREATING A FINANCIAL ROADMAP CAN BE AN EXTREMELY HELPFUL TOOL IN PLANNING FOR YOUR FUTURE. BY OUTLINING YOUR CURRENT SITUATION AND MAPPING OUT WHERE YOU WANT TO BE, YOU CAN DEVELOP A CLEAR PLAN OF ACTION THAT WILL HELP YOU ACHIEVE YOUR FINANCIAL GOALS.**

When it comes to planning for your financial future, a roadmap can be an extremely helpful tool. By outlining your current situation and mapping out where you want to be, you can develop a clear plan of action that will help you achieve your financial goals.

CURRENT SITUATION

It's important to set specific financial goals. What do you hope to achieve? Do you want to save for retirement? Generate investments that will provide you with an income, growth or both? Build up an emergency fund? Once you have a clear idea of your goals, you can start to develop a plan to achieve them.

Creating a financial roadmap can be an extremely helpful tool in planning for your future. By outlining your current situation and mapping out where you want to be, you can develop a clear plan of action that will help you achieve your financial goals.

DIFFERENT GOALS

Goal-based financial planning will help you invest in a systematic and disciplined manner to achieve your goals. It also enables you to remain focused and unaffected by short-term volatility in markets.

Although people may have very different goals depending on what life stage they are at, their goals can be broadly categorised into essential needs, lifestyle wants and legacy aspirations.

FINANCIAL SUCCESS

Planning for financial success in each of these areas can be complicated in today's world. A broad knowledge of everything from complex retirement and investment products to risk management strategies and tax laws is required.

Your financial roadmap should provide you with clarity about your future. It should detail every aspect of your vision – your hopes, fears and goals. It should also describe exactly how your future will look and help you to know exactly where you are headed and when you are likely to arrive.

Take some time and ask yourself these questions:

- Can I sleep comfortably knowing I'll have enough money for my future?
- Do I have the security of knowing where I'm heading financially?
- Am I going to be able to maintain my current lifestyle once I stop working?
- Do I feel empowered financially to live the life I want today and tomorrow?
- Have I made sufficient financial plans to live the life I want and not run out of money?
- Do I have a complete understanding of my financial position?
- What is 'my number' to make my current and future lifestyle secure?

FUTURE LIFESTYLE

Initially, you need to identify the goal for which you wish to invest and assess the time you have to reach it. Once that is done, it is important to find how much the goal costs today. Add a reasonable amount of inflation to that, and then you would know what the goal would cost you in the year you wish to accomplish it.

This process requires you to understand 'your number' – in other words, the amount of money you'll ultimately need to ensure complete peace of mind in knowing your future lifestyle is secure and making sure you don't run out of money before you run out of life.

Your financial roadmap will enable you to make the right financial choices and get the balance right between current responsibilities and future aspirations. All of this should be designed in a way so that you can achieve your desired lifestyle goals and objectives reliably over time. ●

GOALS-BASED INVESTING

Helping you to make wise financial decisions

Investors today are bombarded with an overwhelming number of choices and investment options. With so many options available, it can be difficult to determine which one is the best fit for your individual needs. This is where goals-based investing comes in.

Goals-based investing is an investment strategy that focuses on achieving specific financial goals. This type of investing can be used to reach a variety of financial goals, such as retirement, buying a home or saving for a child's education.

You need to set financial goals to help you make wise financial decisions, and also as a reward for your efforts. Goals should be clear, concise, detailed and written down. Unwritten goals are just wishes.

There are many benefits to goals-based investing, including:

1. Improved clarity on what you're trying to achieve: When you invest with a specific goal in mind, you will have a clearer understanding of what you need to do in order to reach that goal. This can help you stay on track and make better investment decisions over time.

2. Greater focus on the long term: With goals-based investing, you are less likely to be swayed by short-term market fluctuations. This can help you stay invested for the long haul and avoid making impulsive decisions that may not be in your best interests.

3. Enhanced discipline: Having a specific goal can help you maintain a disciplined approach to investing, which is essential for success over the long term.

4. Increased motivation: When you have a concrete goal that you're working towards, it can be motivating and encourage you to stay the course even when times are tough.

But in order to achieve all of your goals, you will need a plan. Starting from assets you already have available, you will need to determine how much more you need to accumulate and when you will require it.

INCREASE YOUR CHANCES OF FINANCIAL SUCCESS

There's no one-size-fits-all answer to the question of how to set goals. However, there are some basic principles that can help you get started.

The first step is to decide what you want to achieve. This may seem obvious, but it's important to take the time to really think about your goals. What do you want to accomplish in the short term? What are your long-term goals?

Once you've decided what you want to achieve, you need to set realistic and achievable goals. That means setting goals that are specific, measurable, attainable, relevant and time-bound.

SPECIFIC

Your financial and personal goals need to be as specific as possible, because otherwise they won't give you enough direction to follow through. Look at your goals like a lamp lighting the way – the brighter the light, the clearer the road ahead. If you don't have clearly defined goals, you procrastinate. Think about your life and what you want to achieve, and what action you need to take to achieve the outcomes you want.

MEASURABLE

Give yourself realistic deadlines. Adding specific dates, amounts, etc. makes your progress quantifiable to complete your goal and visualise a finish line.

ATTAINABLE

Be honest with yourself and set realistic goals. Decide what you want to accomplish. So, start with the goals that are highest on your priority list. It's easy to be overwhelmed by everything that needs to be done, so start simple.

RELEVANT

Align your goals with the direction you want your life to take. Balancing the alignment between long term and short term will give you the focus you'll need.

TIME-BOUND

Having a finish line will mean you'll get to celebrate when you accomplish your goal. Having set deadlines gives you a sense of urgency that is lacking when goals are open-ended.

SETTING REALISTIC GOALS

Each goal will be assigned an amount, an investment period, a level of risk and an order of priority. Do you have the means to make additional investments necessary to accumulate the required assets to achieve your goals? Don't neglect to consider the effects of taxes on your savings and investments.

After considering the foregoing, you might determine that you can achieve some goals in less time. Or you might find that it could take longer. The time horizon is important to setting realistic goals. ●

TAKE CONTROL OF YOUR FINANCES

Choosing the right investments and making better decisions overall

Investing can be a complicated and confusing process, especially for those who are new to it. There are so many different options and strategies, and it can be difficult to know where to start. One of the most important things you can do when starting out is to have a clear understanding about what you are hoping to achieve with your investments.

Do you want to grow your wealth over the long term, or are you looking for more immediate returns? Having a specific goal will help you choose the right investments and make better decisions overall.

CASH FLOW MODELLING

Cash flow modelling is a powerful tool that can help you take control of your finances and work towards your investment objectives. By creating a model of your income and expenditure, you can see exactly where your money is going and make informed decisions about how to best manage your resources.

There are many benefits to cash flow modelling, including:

1. Gaining a clear understanding of your financial situation

2. Identifying areas where you may be overspending

3. Discovering opportunities to save money

4. Making more informed decisions about investments and other financial commitments

5. Setting realistic financial goals

FINANCIAL FUTURE

Cash flow modelling gives you a graphic representation of your financial future and an insight into how life events will have an impact. This illustrates what might happen to your finances in the future and enables you to plan to ensure that you make the most of your money to achieve your financial objectives.

The process shows your current position relative to your preferred position and your goals by assessing your current and forecasted wealth, along with income inflows and expenditure outflows to create a picture of your finances, now and in the future.

This detailed picture of your assets includes investments, debts, income and expenditure, which are projected forward, year by year, using calculated rates of growth, income, inflation, wage rises and interest rates.

A cash flow model calculates the growth rate you'll require if you are to meet your investment objectives. This rate is then cross-referenced with your attitude to risk to ensure your expectations are realistic and compatible with the asset allocation needed to achieve the necessary growth rate.

Looking at your financial journey in this way enables you to implement a detailed

plan that outlines how to deliver your financial future. To ensure that, over time, you achieve your desired lifestyle goals, it is important for us to regularly review your financial plan and make any necessary amendments should your personal circumstances change.

ASSET ALLOCATION MIX

Cash flow modelling can determine what recommendations and best course of action are appropriate for your particular situation and the right asset allocation mix. The growth rate you require is calculated to meet your investment objectives.

Where this approach becomes particularly useful is the analysis of different scenarios based on decisions you may make – this could be lifestyle choices or perhaps investment decisions. By matching your present and expected future liabilities with your income and capital, recommendations can be made to ensure that you don't run out of money throughout your life.

HOW MUCH TO SAVE, SPEND AND INVEST

A snapshot in time is taken of your finances. The calculated rates of growth, income, tax and so on that are used to form the basis of any cash cow modelling exercise will always be assumptions. This is why regular reviews and reassessments are required to ensure you remain on track.

Nearly all decisions are based on what is contained within the cash flow. This will include how much to save and spend, and how funds should be invested to achieve the required return, so there is a lot that needs to be managed.

RUN THROUGH THE NUMBERS

With every financial corner you turn, it is important to 'run through the numbers', which will help you make the right financial decisions. It is important to be specific. For example, it is not enough to say, 'I want to have enough to retire comfortably.' You need to think realistically about how much you will need – the more specific you are, the easier it will be to come up with a plan to achieve your goals.

If your needs are not accurately established, then the cash flow will not be seen as personal, and therefore you are unlikely to perceive value in it. Some years, there may not be any change, or just small tweaks. However, in other years, there may be something significant; either way, you will need to ensure things are up to date and keep your own peace of mind knowing your plans are still on track.

It is vital that you are made aware that certain assumptions have been made in the making of your plan. Projected inflation and growth rates need to be made clear, and it should be explained that the plan and cash flow model is only as good as the information provided, so it is critical that it is reviewed. ●

WHAT DO YOU REALLY WANT FROM YOUR INVESTMENTS?

Identifying areas where you could be saving and investing more money

It's important to regularly review your finances in order to stay on top of your money and make sure you're making the most of it. A personal financial review can help you identify areas where you could be saving and investing more money.

This type of review enables you to assess your overall financial health and make sure that you're on track to meeting your long-term financial goals.

You need to consider what you really want from your investments. A personal financial review will also ensure you are on top of your overall asset allocation and individual shares and funds to make sure they are consistent with how much risk you want to – and can afford to – take.

1. CONSIDER YOUR REASONS FOR INVESTING

It's important to know why you're investing. The first step is to consider your financial situation and your reasons for investing.

For example, you might be:

- Looking for a way to get higher returns than on your cash savings
- Putting money aside to help pay for a specific goal, such as your children's or grandchildren's education or their future wedding

Determining your reasons for investing now will help you work out your investment goals and influence how you manage your investments in future.

2. DECIDE ON HOW LONG YOU CAN INVEST

If you're investing with a goal in mind, you've probably got a date in mind too. If you've got a few goals, some may be further away in time than others, so you'll probably have different strategies for your different investments.

Investments rise and fall in value, so it's sensible to use cash savings for your short-term goals and invest for your longer-term goals.

SHORT TERM

Most investments need at least a five-year commitment, but there are other options if you don't want to invest for this long, such as cash savings.

MEDIUM TERM

If you can commit your money for at least five years, a selection of investments might suit you. Your investments make up your 'portfolio' and could contain a mix of funds investing in shares, bonds and other assets, or a mixture of these, which are carefully selected and monitored for performance by professional fund managers.

LONG TERM

Let's say you start investing for your retirement when you're fairly young. You might have 20 or 30 years before you need to start drawing money from your investments. With time on your side, you might consider higher-risk fund exposure that can offer the chance of higher returns in exchange for an increased risk of losing your money.

As you get closer to retirement, you might sell off some of these riskier investments and move to safer options with the aim of protecting your investments and their returns.

How much time you've got to work with will have a big impact on the decisions you make. As a general rule, the longer you

ONCE YOU'RE CLEAR ON YOUR NEEDS AND GOALS, AND YOU'VE ASSESSED HOW MUCH RISK YOU CAN TAKE, WE'LL HELP YOU IDENTIFY THE TYPES OF INVESTMENT OPTIONS THAT COULD BE SUITABLE FOR YOU.

hold investments, the better the chance they'll outperform cash – but there can never be a guarantee of this.

3. MAKE AN INVESTMENT PLAN

Once you're clear on your needs and goals, and you've assessed how much risk you can take, we'll help you identify the types of investment options that could be suitable for you.

4. BUILD A DIVERSIFIED PORTFOLIO

Holding a balanced, diversified portfolio with a mix of investments can help protect it from the ups and downs of the market. Different types of investments perform well under different economic conditions. By diversifying your portfolio, you can aim to make these differences in performance work for you.

You can diversify your portfolio in a few different ways through funds that invest across:

- Different types of investments
- Different countries and markets
- Different types of industries and companies

A diversified portfolio is likely to include a wide mix of investment types, markets and industries. How much you invest in each is called your 'asset allocation'.

5. MAKE THE MOST OF TAX ALLOWANCES

As well as deciding what to invest in, think about how you'll hold your investments. Some types of tax-efficient account mean you can normally keep more of the returns you make. It's always worth thinking about whether you're making the most of your tax allowances too.

You need always to bear in mind that these tax rules can change at any time, and the value of any particular tax treatment to you will depend on your individual circumstances.

6. REVIEW PORTFOLIOS PERIODICALLY

Periodically, a financial review will provide the opportunity to check and see if your portfolio's wide mix of investment types and markets still aligns with your goals.

These are some aspects of your portfolio you may want to check up on annually:

CHANGES TO YOUR FINANCIAL GOALS

Has something happened in your life that calls for a fundamental change to your financial plan? Maybe a change in circumstances has changed your time horizon or the amount of risk you're willing to handle. If so, it's important to take a hard look at your portfolio to determine whether it aligns with your revised financial goals.

ASSET ALLOCATION

An important part of investment planning is setting an asset allocation that you feel comfortable with. Although your portfolio may have been in line with your desired asset allocation at the beginning of the year, depending on the performance of your portfolio, your asset allocation may have changed over the period in question. If your actual allocations are outside of your targets, then perhaps it's time to readjust your portfolio to get it back in line with your original targets.

DIVERSIFICATION

Along with a portfolio with a proper asset class balance, you will want to ensure that you're properly diversified inside each asset class. Diversification means owning a variety of assets that perform differently over time, but not too much of any one investment or type.

There are four main asset classes – cash, fixed-interest securities, property and equities – and having exposure to them all will help reduce the overall level of risk of your investment portfolio. If one part of your portfolio isn't doing well, the other investments you've made elsewhere should compensate for those losses.

PERFORMANCE

Consider if there are certain aspects of your portfolio that need rebalancing. You may also want to consider selling to help offset capital gains you might take throughout the year.

The primary goal of a rebalancing strategy is to minimise risk relative to a target asset allocation, rather than to maximise returns. Over time, asset classes produce different returns that can change the portfolio's asset allocation. To recapture the portfolio's original risk-and-return characteristics, the portfolio should therefore be rebalanced. ●

FUTURE GOALS

How long you have to pursue each objective

If you've got a sufficient amount of money in your cash savings account – enough to cover you for between three to six months in the event of an emergency or unexpected expenditure – and you want to see your money grow over the long term, then you should consider investing some of it.

Investing is a lifelong process, and the sooner you start, the better off you may be in the long run. Regardless of the financial stage of life you are in, you will need to consider what your investment objectives are, how long you have to pursue each objective and how comfortable you are with risk.

CURRENT FINANCES AND FUTURE GOALS

The right savings or investments for you will depend on how happy you are taking risks and on your current finances and future goals. Investing is different to simply saving money, as both your potential returns and losses are greater.

If you're retiring in the next one to two years, for example, it might not be the right time to put all of your savings into a high-risk investment. You may be better off choosing something like a cash account or bonds that will protect the bulk of your money, while putting just a small sum into a more growth-focused option such as shares.

CONSIDERING CASH OR TERM DEPOSITS

You may be a few months away from putting down a deposit on your first home loan. In this case, you might be considering cash or term deposits. You might also choose a more conservative investment that keeps your savings safe in the short term.

On the other hand, if you have just recently started working and saving, you may be happy to invest a larger sum of your money into a higher-risk investment with higher potential returns, knowing you won't need to access it in the immediate future.

PROTECT WEALTH FROM MARKET UPS AND DOWNS

If appropriate, you should consider a range of different investment options. A diverse portfolio can help protect your wealth from market ups and downs. There are four main types of investments, also called 'asset classes', each with their own benefits and risks.

DEFENSIVE INVESTMENTS

Defensive investments focus on generating regular income as opposed to growing in value over time. The two most common types of defensive investments are cash and fixed interest.

Cash investments include:

HIGH INTEREST SAVINGS ACCOUNTS

The main benefit of a cash investment is that it provides stable, regular income through interest payments. Although it is the least risky type of investment, it is possible the value of your cash could decrease over time, even though its pound figure remains the same. This may happen if the cost of goods and services rises too quickly (also known as 'inflation'), meaning your money buys less than it used to.

Fixed interest investments include:

TERM DEPOSITS, GOVERNMENT BONDS, CORPORATE BONDS

A term deposit lets you earn interest on your savings at a similar, or slightly higher, rate than a cash account (depending on

the amount and term you invest for), but it also locks up your money for the duration of the 'term' so you can't be tempted to spend it.

Bonds, on the other hand, basically function as loans to governments or companies, who sell them to investors for a fixed period of time and pay them a regular rate of interest. At the end of that period, the price of the bond is repaid to the investor.

Although bonds are considered a low-risk investment, certain types can decrease in value over time, so you could potentially get back less money than you initially paid.

GROWTH INVESTMENTS

Growth investments aim to increase in value over time, as well as potentially paying out income. Because their prices can rise and fall significantly, growth investments may deliver higher returns than defensive investments. However, you also have a stronger chance of losing money.

The two most common types of growth investments are shares and property.

SHARES

At its simplest, a single share represents a single unit of ownership in a company. Shares are generally bought and sold on a stock exchange. Shares are considered growth investments because their value can rise. You may be able to make money by selling shares for a higher price than you initially pay for them.

If you own shares, you may also receive income from dividends, which are effectively a portion of a company's profit paid out to its shareholders.

The value of shares may also fall below the price you pay for them. Prices can be volatile from day to day, and shares are generally best suited to long-term investors, who are comfortable withstanding these ups and downs.

Although they have historically delivered better returns than other assets, shares are considered one of the riskiest types of investment.

PROPERTY

Similarly to shares, the value of a property may rise, and you may be able to make money over the medium to long term by selling a house or apartment for more than you paid for it.

These types of investments include:

- Residential property such as houses and units
- Commercial property such as individual offices or office blocks
- Retail premises such as shops or hotels
- Industrial property such as warehouses

Prices are not guaranteed to rise though, and property can also be more difficult than other investment types to sell (liquidate) quickly, so it may not suit you if you need to be able to access your money easily.

RETURNS

Returns are the profit you earn from your investments.

Depending on where you put your money, it could be paid in a number of different ways:

- Dividends (from shares)
- Rent (from properties)
- Interest (from cash deposits and fixed interest securities)

The difference between the price you pay and the price you sell for – capital gains or losses. ●

> **UNDERSTANDING INVESTMENT RISK AND DETERMINING WHAT LEVEL OF RISK YOU FEEL COMFORTABLE WITH BEFORE YOU INVEST IS AN IMPORTANT PART OF THE INVESTMENT DECISION PROCESS.**

RISK TOLERANCE

An important part of the investment decision process

There's no single answer to the question of how much investment risk you should take on. It depends on your individual circumstances, goals and comfort level with risk. Some people are more comfortable with risk than others. Some people are willing to take on more risk in order to achieve their goals. And some people have different tolerance for different types of risk.

Understanding investment risk and determining what level of risk you feel comfortable with before you invest is an important part of the investment decision process. Your potential returns available from different kinds of investment, and the risks involved, change over time as a result of economic, political and regulatory developments, as well as a host of other factors.

There are a few different ways to think about risk tolerance. One way is to consider how you would feel if your investments lost money in the short term. If the thought of seeing your account balance go down makes you anxious, you may be more risk-averse.

VOLATILE INVESTMENTS

On the other hand, if you're comfortable with the idea of short-term losses in exchange for the potential for long-term gains, you may be more willing to take on risk.

Another way to think about risk tolerance is to consider how much volatility you're comfortable with. Volatility is a measure of how much prices fluctuate over time. Investments that are more volatile will have bigger ups and downs in their value, while less volatile investments will have slower, steadier price changes.

STABILITY AND SLOWER GROWTH

Some investors are attracted to the potential for big gains from investments that are more volatile. Others prefer investments that offer stability and slower growth.

So understanding your risk tolerance can help you make better investment decisions. It can also help you avoid taking on too much risk – or not enough risk – for your goals. Your investment goals and timescales will also influence how much risk you're willing to take. What you come out with is your 'risk profile'.

DIFFERENT TYPES OF INVESTMENT

None of us like to take risks with money, but the reality is there's no such thing as a 'no-risk' investment. You're always taking on some risk when you invest.

For example, funds that hold bonds tend to be less risky than those that hold shares, but there are always exceptions.

LOSING VALUE IN REAL TERMS

Money you place in secure deposits such as savings accounts risks losing value in real terms (buying power) over time. This is because the interest rate paid won't always keep up with rising prices (inflation).

On the other hand, index-linked investments that follow the rate of inflation don't always follow market interest rates. This means that if inflation falls, you could earn less in interest than you expected.

INFLATION AND INTEREST RATES OVER TIME

Stock market investments might beat inflation and interest rates over time, but you run the risk that prices might be low at the time you need to sell. This could result in a poor return or, if prices are lower than when you bought, losing money.

You can't escape risk completely, but you can manage it by diversifying investments over the long term. You can also look at paying money into your investments

regularly, rather than all in one go. This can help smooth out the highs and lows and cut the risk of making big losses.

CAPITAL RISK

Your investments can go down in value, and you may not get back what you invested. Investing in the stock market is normally through shares (equities), either directly or via a fund. The stock market will fluctuate in value every day, sometimes by large amounts. You could lose some or all of your money depending on the company or companies you have bought. Other assets such as property and bonds can also fall in value.

INFLATION RISK

The purchasing power of your savings declines. Even if your investment increases in value, you may not be making money in 'real' terms if the things that you want to buy with the money have increased in price faster than your investment. Cash deposits with low returns may expose you to inflation risk.

CREDIT RISK

Credit risk is the risk of not achieving a financial reward due to a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

LIQUIDITY RISK

You are unable to access your money when you want to. Liquidity can be a real risk if you hold assets such as property directly and also in the 'bond' market, where the pool of people who want to buy and sell bonds can 'dry up'.

CURRENCY RISK

Currency risk is the potential risk of loss from fluctuating foreign exchange rates when investments are exposed to foreign currency or in foreign-currency-traded investments.

INTEREST RATE RISK

Changes to interest rates affect your returns on savings and investments. Even with a fixed rate, the interest rates in the market may fall below or rise above the fixed rate, affecting your returns relative to rates available elsewhere. Interest rate risk is a particular risk for bondholders. ●

ASSET ALLOCATION

Minimise your risk and maximise your potential return

Investment asset allocation is important because it can help you to reach your financial goals. By diversifying your investments across different asset classes, you can minimise your risk and maximise your potential return.

Asset allocation is not a static process, but one that should be reviewed periodically in light of your changing circumstances and goals. As you get closer to retirement, for example, you may want to adjust your asset allocation to reflect a more conservative approach.

The most important thing to remember about investment asset allocation is that it is a tool to help you meet your financial goals. There is no perfect asset allocation that will guarantee success. The key is to find an asset allocation that makes sense for you and then stick with it over the long term.

Asset allocation simply means deciding how to spread your money across the different asset classes (including equities, bonds, property and cash) and how much you want to hold in each.

FUTURE CAPITAL OR INCOME NEEDS

Your overall asset allocation needs to reflect your future capital or income needs, the timescales before those capital sums are required or the level of income sought, and the amount of risk you can tolerate. Investing is all about risk and return.

Not only does asset allocation naturally spread risk, but it can also help you to boost your returns while maintaining, or even lowering, the level of risk of your portfolio. Most rational investors would prefer to maximise their returns, but every investor has their own individual attitude towards risk.

INVESTMENT CHARACTERISTICS

Determining what portion of your portfolio should be invested into each asset class is called 'asset allocation' and is the process of dividing your investment/s between different assets. Portfolios can incorporate a wide range of different assets, all of which have their own characteristics, like cash, bonds, equities (shares in companies) and property.

The idea behind allocating your money between different assets is to spread risk through diversification and to understand these characteristics and their implications on how a portfolio will perform in different conditions – the idea of not putting all your eggs in one basket.

LOOKING INTO THE FUTURE

Investments can go down as well as up, and these ups and downs can depend on the assets you're invested in and how the markets are performing. It's a natural part of investing.

Moreover, the potential returns available from different kinds of investment, and the risks involved, change over time as a result of economic, political and regulatory developments, as well as a host of other factors. Diversification helps to address this uncertainty by combining a number of different investments.

Your risk tolerance will change over time. For example, investors in their 20s may not be too worried about a 30% fall in the market, reasoning they have time to ride it out. Investors in their 40s, however, if they have responsibilities such as a mortgage and a family, may focus more on protecting against this kind of loss.

ASSET CLASSES

When putting together a portfolio, there are a number of asset classes, or types of investments, that can be combined in different ways. The starting point is cash – and the aim of employing the other asset classes is to achieve a better return than could be achieved by leaving all of the investment on deposit.

CASH

The most common types of cash investments are bank and building society

savings accounts and money market funds (investment vehicles which invest in securities such as short-term bonds to enable institutions and larger personal investors to invest cash for the short term).

Money held in the bank is arguably more secure than any of the other asset classes, but it is also likely to provide the poorest return over the long term. But it's important to be able to pay unexpected expenses, or to deal with an unexpected loss of income, without tapping into your core portfolio.

There's no sure way to protect your money from the effects of inflation. The only rule is that cash savings accounts are generally the worst places to put your money long term – the interest is almost always lower than inflation, so you're constantly losing money.

BONDS

Bonds are effectively IOUs issued by governments or companies. In return for your initial investment, the issuer pays a pre-agreed regular return (the 'coupon') for a fixed term, at the end of which it agrees to return your initial investment.

Depending on the financial strength of the issuer, bonds can be very low or relatively high risk, and the level of interest paid varies accordingly, with higher-risk issuers needing to offer more attractive coupons to attract investment.

As long as the issuer is still solvent at the time the bond matures, investors get back the initial value of the bond.

However, during the life of the bond, its price will fluctuate to take account of a number of factors, including:

- **Interest rates** – as cash is an alternative lower-risk investment, the value of government bonds is particularly affected by changes in interest rates. Rising base rates will tend to lead to lower government bond prices, and vice versa
- **Inflation expectations** – the coupons paid by the majority of bonds do not change over time. Therefore, high inflation reduces the real value of future coupon payments, making bonds less attractive and driving their prices lower
- **Credit quality** – the ability of the issuer to pay regular coupons and redeem the bonds at maturity is a key consideration for bond investors. Higher-risk bonds such as corporate bonds are susceptible to changes in the perceived creditworthiness of the issuer

EQUITIES

Equities, or shares in companies, are regarded as riskier investments than bonds, but they also tend to produce superior returns over the long term. They are riskier because, in the event of a company getting into financial difficulty, bond holders rank ahead of equity holders when the remaining cash is distributed.

However, their superior long-term

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returns come from the fact that, unlike a bond which matures at the same price at which it was issued, share prices can rise dramatically as a company grows.

Returns from equities are made up of changes in the share price and, in some cases, dividends paid by the company to its investors.

Share prices fluctuate constantly as a result of factors such as:

- **Company profits** – by buying shares, you are effectively investing in the future profitability of a company, so the operating outlook for the business is of paramount importance. Higher profits are likely to lead to a higher share price and/or increased dividends, whereas sustained losses could place the dividend or even the long-term viability of the business in jeopardy
- **Economic background** – companies perform best in an environment of healthy economic growth, modest inflation and low interest rates. A poor outlook for growth could suggest waning demand for the company's products or services. High inflation could impact companies in the form of increased input prices, although in some cases companies may be able to pass this on to consumers. Rising interest rates could put strain on companies that have borrowed heavily to grow the business
- **Investor sentiment** – as higher-risk assets, equities are susceptible to changes in investor sentiment. Deterioration in risk appetite normally sees share prices fall, while a turn to positive sentiment can see equity markets rise sharply

PROPERTY

In investment terms, property normally means commercial real estate – offices, warehouses, retail units and the like. Unlike the assets we have mentioned so far, properties are unique – only one fund can own a particular office building or shop.

The performance of these assets can sometimes be dominated by changes in capital values. These unusually dramatic moves in capital value illustrate another of property's key characteristics, namely its relative illiquidity compared to equities or bonds. Buying equities or bonds is normally a relatively quick and inexpensive process, but property investing involves considerable valuation and legal involvement.

The more normal state of affairs is for rental income to be the main driver of commercial property returns. Owners of property can enhance the income potential and capital value of their assets by undertaking refurbishment work or other improvements.

Indeed, without such work, property can quickly become uncompetitive and run down. When managed properly, the relatively stable nature of property's income return is key to its appeal for investors.

DIVERSIFICATION

If we could see into the future, there would be no need to diversify our investments. We could merely choose a date when we needed our money back, then select the investment that would provide the highest return to that date. It might be a company share, a bond, gold or any other kind of asset. The problem is that we do not have the gift of foresight.

Diversification helps to address this uncertainty by combining a number of different investments. In order to maximise the performance potential of a diversified portfolio, managers actively change the mix of assets they hold to reflect the prevailing market conditions. These changes can be made at a number of levels, including the overall asset mix, the target markets within each asset class and the risk profile of underlying funds within markets.

As a rule, an environment of positive or recovering economic growth and healthy risk appetite would be likely to prompt an increased weighting in equities and a lower exposure to bonds. Within these baskets of assets, the manager might also move into more aggressive portfolios when markets are doing well and more cautious ones when conditions are more difficult. Geographical factors such as local economic growth, interest rates and the political background will also affect the weighting between markets within equities and bonds.

In the underlying portfolios, managers will normally adopt a more defensive positioning when risk appetite is low. For example, in equities they might have higher weightings in large companies operating in parts of the market that are less reliant on robust economic growth. Conversely, when risk appetite is abundant, underlying portfolios will tend to raise their exposure to more economically sensitive parts of the market and to smaller companies. ●

SIX PRINCIPLES OF INVESTING

Investing your money and avoiding costly mistakes

1. HAVE A STRATEGY AND STICK TO IT

It is one thing to have a target, but a sound investment strategy can make the difference between simply hoping for the best and actually achieving your investment goals. You can review your plan regularly with your professional financial adviser and make adjustments when necessary, but staying focused on your plan will help you to not be distracted by short-term market uncertainty.

2. THINK TWICE BEFORE PUTTING ALL OF YOUR MONEY IN CASH

Putting all of your money in cash can seem appealing as a safe and secure option – but inflation is likely to eat away at your savings as we have started to see recently, with UK inflation rising to its highest level in over 40 years. Add to this rising energy costs that could worsen any inflationary shock and sap economic growth. For most people with longer-term investment plans, cash needs to be supplemented with investment in other asset classes that can beat the perils of inflation and offer better capital growth potential.

3. DIVERSIFY AND ALWAYS CONSIDER YOUR INVESTMENTS AS A WHOLE

When markets are fluctuating, it's all too easy to worry about the performance of certain investments while forgetting about the bigger picture. But when one asset class is performing poorly, others may be flourishing in the same market conditions. A diversified portfolio, including a range of different assets, can help to iron out the ups and downs and avoid exposing your portfolio to undue risk.

4. START INVESTING EARLY IF YOU CAN

As a general rule, the earlier in life you start investing, the better your chances of long-term growth. Compound growth (the ability to grow an investment by reinvesting the earnings) is a powerful force but it takes time to deliver. The right time to invest is when you and your financial adviser have formulated a clear financial plan that requires growth.

5. 'ACTIVITY BIAS': THE URGE TO 'JUST DO SOMETHING'

Some investors suffer from what behaviourists call 'activity bias': the urge to 'just do something' in a crisis, whether the action will be helpful or not. When investments are falling in value, it can be tempting to abandon your plans and sell them – but this can be damaging because you won't be able to benefit from any recovery in prices. Markets go through cycles, and it's important to accept that there will be good and bad years. Short-term dips in the market tend to be smoothed out over the long term, increasing the potential for healthy returns.

6. NO SUBSTITUTE FOR A STRATEGY THAT'S TAILORED SPECIFICALLY FOR YOU

Every single investor's needs are different and, while the points above are good general tips, there's no substitute for a strategy that's tailored specifically for you. What's more, in volatile times, professional financial advice can help you take the emotion out of investing and provide an objective view. It may just be the best investment you ever make. ●

> **FEELING AN EMOTIONAL CONNECTION TO YOUR INVESTMENTS DOESN'T ALWAYS HAVE TO BE A BAD THING, ESPECIALLY IF YOU USE IT AS A TOOL TO INVEST IN FUNDS YOU FEEL PASSIONATE ABOUT.**

BEHAVIOURAL PATTERNS

Shaping the way we invest, for better or worse

Investors should keep things in perspective and not overreact to headlines. Although equities may fall more in the near term, historically market drawdowns due to past military conflicts did not last very long and were mostly buying opportunities.

But when it comes to money and investing, understandably we're not always as rational as we may think. Every human being is driven by emotions – more than we would like to admit. Emotions are the key drivers of our behaviour, and these behavioural patterns shape our way of investing, for better or worse.

Investors know they shouldn't let emotions or impulses drive their investment choices, but many just can't help themselves, according to new research that has revealed half of British investors (50%) admit to having made an impulsive investment decision, with two-thirds (67%) going on to regret it.

INVESTMENT DECISIONS

When asked what influenced their investment decisions, social media topped the list, with a third (32%) of investors citing it as a factor, closely followed by friends (31%) and the fear of missing out (30%). The research also showed separating emotions from investments is hard no matter what it is investors are feeling. A third (34%) of them have made an impulsive investment decision while excited, a fifth (21%) when feeling impatient and 16% have made a decision in fear.

More broadly, just under half (47%) of investors have admitted they often feel anxious about their investments and two-thirds often feel excited when checking on their investments. Anxiety and excitement can also lead to other bad investment habits, with 62% feeling the need to constantly monitor their investments to succeed, meaning they could be prone to react to short-term fluctuations in the market.

MARKET OPPORTUNITIES

Feeling an emotional connection to your investments doesn't always have to be a bad thing, especially if you use it as a tool to invest in funds you feel passionate about. However, when your feelings start to cloud your decision-making, it's time to take a step back. By understanding your emotions, it's easier to manage them and create a diversified portfolio that does not just take advantage of market opportunities but can also weather any storms.

It's understandable that many investors enjoy the thrill and excitement of investing. One compromise investors can make is the 'core-satellite approach'. Investors may want to put their money into something stable and less exciting, and then add a small, satellite component of investments that give them more enjoyment, keep them engaged and give them an emotional reward – but without causing investors to make any decisions they may regret. ●

Source data:

[1] All data, unless otherwise specified, is taken from 2,000 respondents of a representative sample size conducted by Censuswide in September 2021. All respondents were 18+ and had previously invested money.

PITFALLS OF MARKET TIMING

Don't become distracted by short-term volatility

Trying to navigate the ups and downs of market returns, investors seem to naturally want to jump in at the lows and cash out at the highs. But no one can predict when those will occur. Fortunately, there are a number of time-tested strategies that may help you deal with market volatility. Two of the most prevalent are: invest for the long term, and maintain realistic performance expectations when it comes to returns.

By coupling these strategies with maintaining proper portfolio diversification and avoiding the pitfalls of market timing, you'll have the foundation needed to help manage your overall exposure to market volatility.

Historically, the stock market has been up more than down. Often after a lengthy bull market, some investors may lose sight that their investments could generate negative returns. In order to keep market volatility in perspective, it's important to maintain realistic expectations about your investments, especially if returns move closer to their historical average.

It's important to focus on your long-term goals and not become distracted by short-term volatility. While losing money in the financial markets is never easy to accept, remember the old adage: time is on your side.

Typically, the longer an investment portfolio is held, the more likely overall positive results are realised. The lesson here is to prepare for the long haul and try not to overreact to periods of uncertainty. ●

> TIMING THE EXACT MOMENT TO ENTER OR LEAVE THE MARKET CAN BE EXTREMELY DIFFICULT AND INVESTORS INHERENTLY RUN THE RISK OF INVESTING AT THE TOP OF A MARKET CYCLE, OR EXITING AT THE BOTTOM.

POUND COST AVERAGING

Instilling a sense of investment discipline

Pound cost averaging is an investing strategy that can help to smooth out the effects of market volatility and reduce your overall risk. Investing at regular intervals can be a good idea to help smooth out the ups and downs of the market.

Timing the exact moment to enter or leave the market can be extremely difficult and investors inherently run the risk of investing at the top of a market cycle, or exiting at the bottom. Pound cost averaging versus lump sum investing is one of the most important concepts in investing.

Buying at regular intervals means that the average price you pay can be lower than if you'd made one lump sum investment at the peak of the market. In other words, over time, regular investments can help smooth out the peaks and troughs.

EXPECTING MARKETS TO REMAIN VOLATILE

Pound cost averaging is the practice of investing a fixed amount at regular intervals, regardless of the ups and downs of the markets. But with lump sum investing you need to decide when you're going to invest.

The basic idea behind pound cost averaging is straightforward. One way to do this is with a lump sum that you'd prefer to invest gradually – for example, by taking £200,000 and investing £20,000 each month for ten months.

Alternatively, you could pound cost average on an open-ended basis by investing, say, £2,000 every month. This principle means that you invest no matter what the market is doing. Pound cost averaging can also help investors limit losses, while also instilling a sense of investment discipline and ensuring that you're buying at ever-lower prices in down markets.

GIVE SAVINGS A VALUABLE BOOST EACH MONTH

Any costs involved in making the regular investments will reduce the benefits of pound cost averaging (depending on the size of the charge relative to the size of the investment, and the frequency of investing).

As the years go by, it is likely that you will be able to increase the amount you invest each month, which would give your savings a valuable boost. No matter how small the investment, committing to regular saving over the long term can build to a sizeable sum. ●

INVESTMENT FUNDS

Influencing your investment choices

There are many reasons to invest through a fund, rather than buying assets on your own. At a basic level, investing in a fund means having a fund manager make investment decisions on behalf of the investor.

An investment fund pools capital from many investors. Each investor has partial ownership and the fund invests according to the fund's objectives. Investment funds offer a wide range of investment opportunities. They can also benefit from diversification, lower transaction costs and management expertise. This can help mitigate some of the risk that individual investors take on.

You receive reports on the fund's performance but have no influence on the investment choices short of removing your money from the fund and placing it elsewhere. Spreading risk is one of the main reasons for investing through a fund. Even if you have a small amount to invest, you can have a lot of different types of assets you're investing in – you're 'diversified'.

You can spread risk across asset classes (such as bonds, cash, property and shares), countries and stock market sectors (such as financials, industrials or retailers). Reduced dealing costs by pooling your money can help you make savings because you're sharing the costs.

There is also less work for you, as the fund manager handles the buying, selling and collecting of dividends and income for you. But of course, there are charges for this. They also make the decisions about when to buy and sell assets.

ACTIVE OR PASSIVE FUND MANAGEMENT

ACTIVE MANAGEMENT

Most pooled investment funds are actively managed. The fund manager is paid to research the market, so they can buy the assets that they think might give a good profit. Depending on the fund's objectives, the fund manager will aim either to give you better-than-average growth for your investment (beat the market) or to get steadier returns than would be achieved simply by tracking the markets.

PASSIVE MANAGEMENT – TRACKER FUNDS

You might prefer to track the market – if the index goes up, so will your fund value – but it will also fall in line with the index. A 'market index tracker' follows the performance of all the shares in a particular market. In the UK, the most commonly used market index is the FTSE 100, a group of the 100 biggest companies based upon share value.

If a fund buys shares in all 100 companies, in the same proportions as their market value, its value will rise or fall in line with the change in the value of the FTSE 100. Funds that track an index are called 'tracker funds'.

Tracker funds don't need to be managed so actively. You still pay some fees, but not as much as with an actively managed fund. Because of the fees, your real returns aren't quite as good as the actual growth of the market – but they should be close.

Whether you're saving for retirement or just putting some money aside for the future, we can help you find the right fund. ●

UNIT TRUSTS AND OPEN-ENDED INVESTMENT COMPANIES

Sharing many traits, but also having important differences

Pooled investment funds are usually large funds built by aggregating relatively small investments from individuals. A professional fund manager (or a team of fund managers) determines which assets to invest in and then purchases accordingly. They are also known as 'collective investment schemes'.

By pooling resources with other investors you are all able to achieve something greater than what you could achieve on your own. There is a diverse range of funds that invest in different things, with different strategies – high income, capital growth, income and growth, and so on.

POPULAR TYPES OF POOLED INVESTMENT FUND

UNIT TRUSTS AND OPEN-ENDED INVESTMENT COMPANIES

Unit trusts and Open-Ended Investment Companies (OEICs) are professionally managed collective investment funds. Managers pool money from many investors and buy shares, bonds, property or cash assets, and other investments. They can provide a good foundation for individual investors to fulfil their financial aspirations.

UNDERLYING ASSETS

You buy shares (in an OEIC) or units (in a unit trust). The fund manager combines your money together with money from other investors and uses it to invest in the fund's underlying assets. Every fund invests in a different mix of investments. Some only buy shares in British companies, while others invest in bonds or in shares of foreign companies, or other types of investments.

BUY OR SELL

You own a share of the overall unit trust or OEIC – if the value of the underlying assets in the fund rises, the value of your units or shares will rise. Similarly, if the value of the underlying assets of the fund falls, the value of your units or shares falls. The overall fund size will grow and shrink as investors buy or sell.

Some funds give you the choice between 'income units' or 'income shares' that make regular payouts of any dividends or interest the fund earns, or 'accumulation units' or 'accumulation shares' which are automatically reinvested in the fund.

HIGHER RETURNS

The value of your investments can go down as well as up, and you might get back less than you invested. Some assets are riskier than others, but higher risk also gives you the potential to earn higher returns.

Before investing, make sure you understand what kind of assets the fund invests in and whether that's a good fit for your investment goals, financial situation and attitude to risk.

SPREADING RISK

Unit trusts and OEICs help you to spread your risk across lots of investments without having to spend a lot of money. Most unit trusts and OEICs allow you to sell your shares or units at any time – although some funds will only deal on a monthly, quarterly or twice-yearly basis. This might be the case if they invest in assets such as property, which can take a longer time to sell.

INVESTMENT LENGTH

However, bear in mind that the length of time you should invest for depends on your financial goals and what your fund invests in. If it invests in shares, bonds or property, you should plan to invest for five years or more.

Money market funds can be suitable for shorter time frames. If you own shares, you might get income in the form of dividends. Dividends are a portion of the profits made by the company that issued the shares you've invested in. ●

INVESTMENT TRUSTS

Seeking value everywhere

An investment trust is a public company that raises money by selling shares to investors, and then pools that money to buy and sell a wide range of shares and assets. Different investment trusts will have different aims and different mixes of investments.

Investment trusts, unlike unit trusts, can borrow money to buy shares (known as 'gearing'). This extra buying potential can produce gains in rising markets but also accentuate losses in falling markets. Investment trusts generally have more freedom to borrow than unit trusts that can be sold to the general public.

BUYING SHARES

Unlike with a unit trust, if an investor wants to sell their shares in an investment trust they must find someone else to buy their shares – usually this is done by selling on the stock market. The investment trust manager is not obliged to buy back shares before the trust's winding-up date.

The price of shares in an investment trust can be lower or higher than the value of the assets attributable to each share – this is known as 'trading at a discount' or at a 'premium'.

CONVENTIONAL INVESTMENT TRUSTS

Investment trusts are constituted as public limited companies and issue a fixed number of shares. Because of this, they are referred to as closed-ended funds.

The trust's shares are traded on the stock exchange like any public company. The price of an investment trust's shares depends on the value of its underlying assets and the demand for its shares.

Different investment trusts will do this at varying levels. It's worth checking before you invest, because the level of gearing can affect the return on your investment and how risky it is.

SPLIT CAPITAL INVESTMENT TRUSTS

These run for a specified time, usually five to ten years, although you are not tied in. This type of investment trust issues different types of shares. When they reach the end of their term, payouts are made in order of share type.

You can choose a share type to suit you. Typically, the further along the order of payment the share is the greater the risk, but the higher the potential return. You also need to bear in mind the price of shares in an investment trust can go up or down, so you could get back less than you invested.

ASSET TYPE

The level of risk and return will depend on the investment trust you choose. It's important to know what type of assets the trust will invest in, as some are riskier than others.

In addition, look at the difference between the investment trust's share price and the value of its assets as this gap may affect your return. If a discount widens, this can depress returns.

BORROWING MONEY

You need to find out if the investment trust borrows money to buy shares. If so, returns might be better but your losses greater. With a split capital investment trust, the risk and return will depend on the type of shares you buy.

Many unit trusts can be held in an Individual Savings Account (ISA). In this case, your income and capital gains will be tax-efficient. Any profit you make from selling shares outside an ISA may be subject to Capital Gains Tax. ●

INDIVIDUAL SAVINGS ACCOUNTS

Minimising the amount of tax you pay on your investment returns

Individual Savings Accounts (ISAs) are a 'tax-efficient wrapper' enabling you to minimise the amount of tax you pay on your investment returns. Some ISAs give you instant access to your money and can be used to plan your finances for the short term.

On the other hand, if you have longer-term savings goals, you can invest in an ISA for your future. In the current 2022/23 tax year, you can put £20,000 into your tax-efficient ISA before the end of the financial year on 5 April. The current tax year started on 6 April 2022 and ends on 5 April 2023.

ISA OPTIONS

CASH ISA

If you are a UK resident over the age of 18 (age 16 for a Cash ISA only), you can open one of each type of ISA in a tax year, providing you don't exceed the annual allowance. Cash ISAs are suitable for your short-term savings goals as they don't invest in the stock market but with current low interest rates, your savings won't grow much, and you might not be keeping up with inflation. You might consider a Cash ISA as your 'emergency' pot of money for any unexpected expenses or a last-minute holiday.

STOCKS & SHARES ISA

This is a tax-efficient investment that allows you to invest your money in shares, government bonds (gilts) and property with peace of mind that you won't pay any Capital Gains Tax or Income Tax on the proceeds. This type of ISA is more suitable for your longer-term goals as it has the potential to out-perform Cash ISAs over the medium to long term, but with varying levels of risk.

The three main factors to consider when choosing between a Cash ISA and a Stocks & Shares ISA are the length of time you'll be saving or investing, your appetite for investment risk and the impact of inflation over time.

INNOVATIVE FINANCE ISA

This is a type of investment account that allows you to lend your money through peer-to-peer lending platforms to receive tax-efficient interest and capital gains. You could be lending money to serve personal loans, small business loans or property loans, or a combination of these.

Interest rates can often be much more attractive than Cash ISA rates, but peer-to-peer lending is a higher-risk form of investing and your capital is entirely at risk as there is no protection from the Financial Services Compensation Scheme (FSCS).

LIFETIME ISA

If you are aged 18 to 39, and are looking to save for your first home or for later life, you could consider a Lifetime ISA. You can hold cash in a Lifetime ISA or choose to invest it just as you would with a Stocks & Shares ISA. You can put in up to £4,000 each year up to and including the day before your 50th birthday but remember that this £4,000 allowance contributes to your full annual ISA allowance.

The government will pay a 25% bonus on your contributions (£1 for every £4 you put in), up to a maximum of £1,000 a year, but you must be aware that a charge of 25% will be applied to any withdrawal if it is for any reason other than buying your first home, at age 60 or if you are terminally ill.

The amount you pay in is linked to your annual ISA allowance (£20,000 for 2022/23). For example, if you pay £1,000 into your Lifetime ISA, you can still pay £19,000 into other ISA products.

JUNIOR ISA

A Cash or Stocks & Shares ISA account, or both, can be opened for a child subject to the annual allowance, which is £9,000 for the 2022/23 tax year.

The account must be opened by the child's parent or guardian but anyone can contribute once the account has been opened. Savings in a Junior ISA account cannot be withdrawn until the child reaches age 18. ●

TIME TO SEE HOW A WEALTH CREATION PLAN COULD HELP YOU MAKE THE MOST OF YOUR MONEY?

We can help you achieve the financial future you want for you and your family.

Talk to us about your priorities and together we'll create a plan – one that fits for today or for where you want to be in the future.

To find out how we can help you – please contact us.

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